



Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels

**IN THE MATTER OF A SETTLEMENT HEARING
PURSUANT TO SECTION 24.4 OF BY-LAW NO. 1 OF
THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA**

Re: Stephen Cheung

Heard: September 14, 2015, in Vancouver, British Columbia
Reasons for Decision: May 26, 2016

REASONS FOR DECISION

Hearing Panel of the Pacific Regional Council:

Stephen D. Gill	Chair
Holly A. Millar	Industry Representative
David B. Webb	Industry Representative

Appearances:

Christopher Corsetti)	Counsel for the Mutual Fund Dealers
)	Association of Canada
)	
Gordon Johnson)	Counsel for the Respondent
)	
)	

Introduction

1. The Mutual Fund Dealers Association of Canada (“MFDA”) commenced a disciplinary proceeding in respect of Stephen Ping Cheung (“Cheung” or the “Respondent”) by a Notice of Hearing dated March 13, 2015.

2. The Respondent entered into a Settlement Agreement with the MFDA, signed by Staff, dated September 2, 2015 (the “Settlement Agreement”) in which the Respondent agreed to a proposed settlement of matters for which the Respondent could be disciplined pursuant to MFDA rule 2.1.1 and rule 2.5.5 (f). On September 14, 2015, after hearing submissions from counsel for the MFDA, and counsel for the Respondent, we approved the Settlement Agreement (a copy of which is attached as Appendix ‘A’) and signed an order reflecting that approval. Reasons were to follow, and these are those Reasons.

Agreed Facts

Registration History

3. The Respondent has been registered as a mutual fund sales person (mutual fund dealing representative) since September 1, 1999 in British Columbia and in Ontario since November, 1995 and in Alberta since March, 1998. From December 1996 to the present, the Respondent was registered as a branch manager with PFSL Investments Canada Inc. (“PFSL”). At all material times the Respondent operated out of a PFSL branch in Richmond, BC (the “Branch”).

Use of Pre-Signed Forms

4. At all material times, PFSL policies and procedures prohibited the use of blank or partially completed pre-signed forms.

5. On October 23, 2012 PFSL compliance staff conducted an onsite audit of the Branch, and found the Respondent had obtained and used 55 blank or partially complete pre-signed forms (or photocopies thereof) in order to process transactions in respect of 12 clients. As a result of the

audit, PFSL compliance staff conducted an investigation in respect of the Respondent's use of pre-signed forms. The Respondent disclosed that, in addition to the 55 forms already identified, that he had used pre-signed forms (or copies thereof) in order to process transactions in respect to 3 other clients.

6. On November 9, 2012 PFSL compliance staff conducted a file review for the 3 clients, and found 13 additional blank partially complete pre-signed forms (or photocopies) which the Respondent had used to process transactions in respect of the clients. Following the 2012 audit, the Respondent assured PFSL that he would not use pre-signed forms in the future.

7. On February 15, 2013, PFSL compliance staff conducted an unannounced audit of the Branch and found that the Respondent had obtained (but not yet used) 6 blank signed forms in respect of 6 clients. One of those 6 forms was obtained by the Respondent after he had assured PFSL that he would not use pre-signed forms in the future.

Failure to Supervise use of Pre-signed Forms

8. During the 2013 audit, PFSL staff found that the Respondent, in his capacity of branch manager, had reviewed and approved 21 blank or partially complete pre-signed forms (or photocopies thereof), said forms submitted by other approved persons in the Branch.

9. On January 15, 2013 PFSL sent letters to 14 clients with active accounts who were affected by the Respondents conduct in order to inform the clients of the conduct, and to determine whether the clients had authorized the transactions processed by the Respondent in their accounts. PSFL also sent letters to a random selection of 71 of the clients serviced by the Respondent to determine whether those clients had authorized transactions processed by the Respondent in their accounts. None of the 85 clients reported any concerns to PFSL with respect to transactions conducted in their accounts.

10. No clients serviced by the Respondent complained about his misconduct. Further, there is no evidence that the Respondent received any financial benefit from engaging in the conduct

described beyond the commissions or fees he would ordinarily be entitled to receive had the transaction been carried out in the proper manner.

11. The Respondent expressed remorse for his actions. The Respondent has not previously been the subject of MFDA disciplinary proceedings. By entering into the Settlement Agreement, the Respondent has saved the MFDA time, resources and expenses associated with conducting a full hearing of the allegations.

The Respondent's Misconduct

12. The Respondent admits that:

- (a) between July 27, 2005 and February 6, 2013, he obtained and used to process transactions 74 blank or partially complete pre-signed account forms (or photocopies thereof) in respect of 22 client accounts, contrary to MFDA rule 2.1.1; and
- (b) between March 2005 and March 2012, his capacity as branch manager, he reviewed and approved 21 blank or partially completed pre-signed forms (or photocopies thereof) submitted by other Approved Persons contrary to MFDA rules 2.5.5 (f) and 2.1.1.

13. The Settlement Agreement provides that the Respondent:

- (a) is prohibited from acting in a compliance or supervisory capacity with a Member for a period of three months from the day of the acceptance of the Settlement Agreement by the Hearing Panel;
- (b) shall pay a fine in the amount of \$12,500.00;
- (c) shall pay costs in the amount of \$2,500.00;
- (d) shall attend the settlement hearing in person; and
- (e) in future shall comply with all MFDA Bylaws, Rules and Policies, and all applicable securities legislation and regulations made thereunder including MFDA Rule 2.1.1.

14. The obligations of a Hearing Panel at a Settlement Hearing are very different than its role at a contested hearing; in *Re Milewski*¹ the panel stated:

“We also note that while in a contested hearing the Panel attempts to determine the correct penalty, in a settlement hearing the Panel “will tend not to alter a penalty that it considers to be within a reasonable range, taking into account the settlement process and the fact that the parties have agreed. **It will not reject a settlement unless it views the penalty as clearly falling outside a reasonable range of appropriateness**”. (Emphasis added)

15. We adopt the view expressed by the Panel in *Re: Sterling Mutuals Inc.*² that, in general, a settlement agreement should be accepted bearing in mind the following criteria:

- (a) That it is in the public interest to do so and that the penalties proposed will be sufficient to protect investors;
- (b) That the agreement is reasonable and proportionate, having regard to the conduct of the Respondent (as per the Settlement Agreement);
- (c) That the agreement addresses the issues of both specific and general deterrence;
- (d) That the agreement is likely to prevent the type of conduct set out in the facts from occurring again in the future;
- (e) That the agreement will foster confidence in the integrity of the Canadian capital markets;
- (f) That the agreement will foster confidence in the integrity of the MFDA; and
- (g) Whether the agreement will foster confidence in the regulatory process itself.

Re: Sterling Mutuals, paragraph 36.

16. Counsel also referred us to the MFDA Penalty Guidelines. Penalty Guidelines are not mandatory or binding, however they are intended to provide a basis upon which a Hearing Panel’s discretion can be exercised consistently in like circumstances. From misconduct of the type admitted in the present case, the penalty guidelines recommend consideration of a fine:

¹ (1999) IDACD No. 17

² 2008 LNCMFDA 16

minimum of \$5,000.00; write or re-write an appropriate industry course; and suspension or permanent prohibition in egregious cases.

17. We acknowledge that the primary goal of securities regulation, whether in the context of a settlement hearing or a contested hearing, is protection of the investor. In addition to the protection of the investor, the goals of securities regulations include fostering public confidence in the capital markets and the securities industry.

*Pezim v. British Columbia (Superintendent of Brokers)*³
*Re: Breckenridge*⁴

18. In *Re: Breckenridge*, the Panel set out the following factors that should also be considered when determining an appropriate penalty:

- (a) The seriousness of the allegations proved against the respondent;
- (b) The respondent's experience in the capital markets;
- (c) The level of the respondent's activity in the capital markets;
- (d) The harm suffered by investors as a result of the respondent's activities;
- (e) The benefits received by the respondent as a result of the improper activity;
- (f) The risk to investors and the capital markets in the jurisdiction were the respondent to continue to operate in capital markets in the jurisdiction;
- (g) The damage caused to the integrity of the capital markets in the jurisdiction by the respondent's improper activities;
- (h) The need to deter not only those involved in the case being considered, but also any others who participate in the capital markets, from engaging in similar improper activity;
- (i) The need to alert others to the consequences of inappropriate activities to those who are permitted to participate in capital markets; and
- (j) Previous decisions made in similar circumstances.”

³(1994) 2 SCR 557 at paras. 59, 68

⁴ 2007 LNCMFDA 38

19. In our view the Respondent's misconduct in this matter is serious, both as an Approved Person and as a branch manager. Between July 2005 and February 2013, he obtained and used 74 blank or partially completed pre-signed forms (or photocopies thereof) in respect of 22 client accounts, and between March 2005 and March 2012, in his capacity of branch manager, he reviewed and approved 21 blank or partially completed pre-signed forms (or photocopies thereof) submitted by other Approved Persons. We agree with MFDA counsel that the Respondent's misconduct went to the very core of the supervisory regime implemented and administered by the MFDA.

20. In *Re Price* the Hearing Panel identified the dangers posed by pre-signed forms as follows:

- (a) Pre-signed forms present a legitimate risk that they may be used by an Approved Person to engage discretionary trading;
- (b) Pre-signed forms can create a mechanism for an Approved Person to engage in acts of fraud, theft or other harmful conduct, and
- (c) Pre-signed forms subvert the ability of a Member to properly supervise trading activity.

21. The Respondent also admitted that between March 2000 and March 2012 in his capacity as branch manager, he reviewed and approved 21 blank and partially completed pre-signed account forms (or photocopies thereof) submitted by other Approved Persons. We agree with Staff's submission that supervisor misconduct by a branch manager is to be treated as serious misconduct. Branch managers have a significant amount of responsibility, and as such, a higher standard of conduct is expected of a branch manager, especially with respect to supervision of client accounts. As was stated by the Panel in *Re: Cunningham*:⁵

“Branch managers essentially serve as the Members’ eyes on the ground ... In addition to performing regular duties of supervision and review required in their positions, branch managers must proactively follow up on information that comes to their attention which raises concern that regulatory obligations or the Members’ policies and

⁵MFDA file number 200906, February 24, 2010.

procedures are being contravened or the interests of clients and other individuals are not being protected.” (Emphasis added).

22. In our view it was serious misconduct for the Respondent, as branch manager, to review and approve the use of pre-signed forms by other Approved Persons.

23. The Respondent has significant experience in the securities industry as a mutual fund salesperson and branch manager; he has been a salesperson since 1995, and has been registered as a branch manager since December, 1996. We acknowledge he has never previously been the subject of a MFDA disciplinary proceeding:

24. The Respondent has recognized the seriousness of his misconduct by entering into the Settlement Agreement. Further, he has accepted responsibility for his misconduct, and avoided the necessity of the MFDA incurring the additional time and expense of a full contested hearing. The Respondent also cooperated with Staff’s investigation in this matter.

25. Staff’s investigation did not reveal any evidence of unauthorized trades or client losses, or evidence to suggest the Respondent received a financial or other benefit through his misconduct; also, there were no client complaints.

26. Staff referred us to previous decisions involving similar circumstances and a branch manager. In *Re: Edmond*⁶ the Respondent, a salesperson and branch manager, obtained and used a total of 74 blank pre-signed account forms which he altered after the clients had signed the account forms with respect to 30 client accounts; there was no evidence of complaints, no evidence of harm, and the Respondent did not have a disciplinary history. The panel accepted a settlement agreement which imposed a fine of \$10,000, costs of \$2,500, and a prohibition from acting as supervisor capacity for a period of six months. In *Re: Clarke*⁷, a case in which the Respondent was a mutual funds salesperson, the Respondent used 115 blank or partially completed pre-signed forms to process transactions in relation to 54 client accounts; obtained and maintained six blank or partially completed pre-signed account forms in relation to six client

⁶ *Re: Edmond*, MFDA File No. 201422, Reasons September 9, 2015

⁷ *Re: Clarke*, MFDA File No. 201356, Reasons March 23, 2014

accounts; and altered four account forms after the clients had signed them. Again there was no evidence of client complaints, or evidence of harm, and the Respondent did not have a disciplinary history. The Hearing Panel accepted a settlement agreement of a fine of \$7,500, costs of \$2,500, and a prohibition from acting as supervisor capacity for a period of six months. In *Re: Cliche*⁸, the Respondent was a salesperson and branch manager and maintained 72 pre-signed and or photocopy account forms for 13 clients, and used some or all of those forms to process transactions in client accounts. Again there was no evidence of client complaints, and no evidence of harm; the Respondent did not have a disciplinary history. The hearing panel accepted a settlement agreement with a fine of \$7,500, and costs of \$2,500.

27. In *Re: Balani*⁹, the Respondent was a mutual fund salesperson, and obtained, maintained and used 89 account and trade forms for 23 client files that had been signed by the clients when the forms were blank or only partially complete. The Respondent also dated the forms or altered pre-existing dates to execute transactions. Again there was no evidence of client complaints or harm, and the Respondent did not have a disciplinary history. The Hearing Panel accepted settlement with a fine of \$10,000 and costs of \$2,500.

28. In *Re: Kant*¹⁰, at all material times the Respondent was a mutual fund salesperson and a branch manager; over a six-year period, the Respondent photocopied and altered 49 previously signed account forms in respect of 16 client accounts, in order to process transactions and client accounts; again there was no evidence of client complaints or evidence of harm. The hearing panel accepted a settlement being a fine of \$7,500 and costs of \$2,500.

29. In *Re: Keshet*¹¹, the Respondent was registered as a mutual funds salesperson; over a three-year period the Respondent obtained, maintained and/or used to process trades and update know your client information approximately 85 account forms and 22 client accounts which contained photocopies of clients' signatures. There were no client complaints and no evidence of actual harm. The Hearing Panel accepted a settlement of a fine of \$7,500 and costs of \$2,500.

⁸ *Re: Cliche*, MFDA File No. 201428, Reasons March 17, 2015

⁹ *Re: Balani*, MFDA File No. 201402, Reasons January 15, 2015

¹⁰ *Re: Kant*, MFDA File No. 201357, Reasons March 23, 2014

¹¹ *Re: Keshet*, MFDA File No. 201419, Reasons September 3, 2014

30. In this case, the terms of settlement include that the Respondent should pay a fine in the amount of \$12,500; costs in the amount of \$2,500, and is prohibited from acting in a compliance or supervisory capacity with a Member for a period of three months from the date of the acceptance of the settlement agreement by the Hearing Panel.

31. Having carefully considered the submissions of counsel, the authorities, the facts and circumstances and penalties set forth in the Settlement Agreement, we concluded that the Settlement Agreement, and particularly the penalty agreed upon by parties, were within a reasonable range of appropriateness, and for that reason we accepted the Settlement Agreement.

32. These Reasons may be signed in counterpart.

DATED this 26th day of May, 2016.

“Stephen D. Gill”

Stephen D. Gill
Chair

“Holly A. Millar”

Holly A. Millar
Industry Representative

“David B. Webb”

David B. Webb
Industry Representative



Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels

**IN THE MATTER OF A SETTLEMENT HEARING
PURSUANT TO SECTION 24.4 OF BY-LAW NO. 1 OF
THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA**

Re: Stephen Ping Cheung

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. By Notice of Settlement Hearing, the Mutual Fund Dealers Association of Canada (the "MFDA") will announce that it proposes to hold a hearing to consider whether, pursuant to section 24.4 of By-law No. 1, a hearing panel of the Pacific Regional Council (the "Hearing Panel") of the MFDA should accept the settlement agreement (the "Settlement Agreement") entered into between Staff of the MFDA ("Staff") and the Respondent, Stephen Cheung.

II. JOINT SETTLEMENT RECOMMENDATION

2. Staff conducted an investigation of the Respondent's activities. The investigation disclosed that the Respondent had engaged in activity for which the Respondent could be penalized on the exercise of the discretion of the Hearing Panel pursuant to s. 24.1 of By-law No. 1.

3. Staff and the Respondent recommend settlement of the matters disclosed by the investigation in accordance with the terms and conditions set out below. The Respondent agrees to the settlement on the basis of the facts set out in Part IV herein and consents to the making of an Order in the form attached as Schedule “A”.

4. Staff and the Respondent agree that the terms of this Settlement Agreement, including the attached Schedule “A”, will be released to the public only if and when the Settlement Agreement is accepted by the Hearing Panel.

III. ACKNOWLEDGEMENT

5. Staff and the Respondent agree with the facts set out in Part IV herein for the purposes of this Settlement Agreement only and further agree that this agreement of facts is without prejudice to the Respondent or Staff in any other proceeding of any kind including, but without limiting the generality of the foregoing, any proceedings brought by the MFDA (subject to Part IX) or any civil or other proceedings which may be brought by any other person or agency, whether or not this Settlement Agreement is accepted by the Hearing Panel.

IV. AGREED FACTS

Registration History

6. The Respondent has been registered as a mutual fund salesperson (now known as a mutual fund dealing representative) with PFSL Investments Canada Inc. (“PFSL”), a Member of the MFDA, in British Columbia since September 1, 1999, in Ontario since November 1995 and in Alberta since March 1998. From December 1996 to present, the Respondent has also been registered as a branch manager with PFSL.

7. At all material times, the Respondent has operated out of a PFSL branch location in Richmond, British Columbia (the “Branch”).

PFSL Prohibited Pre-Signed Forms

8. At material times, PFSL's policies and procedures prohibited the use of blank or partially completed pre-signed forms.

Use of Pre-Signed Forms

9. On October 23, 2012, PFSL compliance staff conducted an on-site audit of the Branch (the "2012 Audit"). During the 2012 Audit, PFSL compliance staff found that the Respondent had obtained and used 55 blank or partially complete pre-signed forms, or photocopies of blank or partially complete pre-signed forms, in order to process transactions in respect of 12 clients.

10. As a result of the 2012 Audit, PFSL compliance staff commenced an investigation into the Respondent's use of pre-signed forms. During the investigation, the Respondent disclosed that, in addition to the forms described in paragraph 9 above, he had obtained and used blank or partially complete pre-signed forms, or photocopies of blank or partially complete pre-signed forms, in order to process transactions in respect of three other clients.

11. On November 9, 2012, PFSL compliance staff conducted a file review for the three clients identified by the Respondent and found 13 additional blank or partially complete pre-signed forms, or photocopies of blank or partially complete pre-signed forms, which the Respondent had used to process transactions in respect of the clients.

12. Following the 2012 Audit, the Respondent assured PFSL that he would not use pre-signed forms again in the future.

13. On February 15, 2013, PFSL compliance staff conducted an unannounced audit of the Branch (the "2013 Audit"). PFSL compliance staff found that the Respondent had obtained (but not yet used) six blank signed forms in respect of six clients. One of the six forms found during the 2013 Audit was obtained by the Respondent after he had assured PFSL that he would not use pre-signed forms in the future.

Failure to Supervise the Use of Pre-Signed Forms

14. During the 2013 Audit, PFSL compliance staff found that the Respondent, in his capacity as branch manager, had reviewed and approved 21 blank or partially completed pre-signed forms, or photocopies of blank or partially complete pre-signed account forms, submitted by other Approved Persons of the Branch.

PFSL's Response

15. On January 15, 2013, PFSL sent letters to 14 of the 15 clients (one account was found to be inactive) affected by the Respondent's conduct described above, in order to inform the clients of the Respondent's conduct and to determine whether the clients had authorized the transactions processed by the Respondent in their accounts. PFSL also sent letters to a random selection of 71 of the clients serviced by the Respondent to determine whether the clients had authorized the transactions processed by the Respondent in their accounts. None of the 85 clients reported any concerns to PFSL with respect to transactions conducted in their accounts.

16. On August 2, 2013, PFSL issued a disciplinary letter to the Respondent regarding his use of pre-signed forms. PFSL also placed the Respondent on "probation" for a period of one year, reduced the Respondent's supervisory duties, placed him under heightened supervision, required that he be subject to two unannounced audits by PFSL compliance staff each year, and required him to attend additional training at his own expense.

17. The Respondent states that the supervisory duties which were reduced by PFSL were remunerative and the reduction in the Respondent's duties as a result of his use of pre-signed forms has resulted in lost income for the Respondent. The Respondent calculates his reduced income at a minimum of \$30,000.

Additional

18. No clients serviced by the Respondent have complained about his conduct.
19. There is no evidence that the Respondent received any financial benefit from engaging in the misconduct described above, beyond the commissions or fees he would ordinarily be entitled to receive had the transactions been carried out in the proper manner.
20. The Respondent has expressed remorse for his actions.
21. The Respondent has not previously been the subject of MFDA disciplinary proceedings.
22. By entering into this Settlement Agreement, the Respondent has saved the MFDA the time, resources and expenses associated with conducting a full hearing of the allegations.

V. CONTRAVENTIONS

23. The Respondent admits that:
 - (a) between July 27, 2005 and February 6, 2013, he obtained and used to process transactions, 74 blank or partially complete pre-signed account forms or photocopies of blank or partially complete pre-signed account forms, in respect of 22 client accounts, contrary to MFDA Rule 2.1.1; and
 - (b) between March 2005 and March 2012, in his capacity as branch manager, he reviewed and approved 21 blank or partially completed pre-signed forms, or photocopies of blank or partially complete pre-signed account forms, submitted by other Approved Persons, contrary to MFDA Rules 2.5.5(f) and 2.1.1.

VI. TERMS OF SETTLEMENT

24. The Respondent agrees to the following terms of settlement:

- (a) The Respondent is prohibited from acting in a compliance or supervisory capacity with a Member for a period of three months from the date of the acceptance of this Settlement Agreement by the Hearing Panel, pursuant to section 24.1.1(c) of MFDA By-law No. 1;
- (b) the Respondent shall pay a fine in the amount of \$12,500, pursuant to section 24.1.1(b) of By-law No. 1;
- (c) the Respondent shall pay costs in the amount of \$2,500, pursuant to section 24.2 of By-law No. 1;
- (d) the Respondent shall attend the Settlement Hearing in person; and
- (e) in the future, the Respondent shall comply with all MFDA By-laws, Rules and Policies and all applicable securities legislation and regulations made thereunder including MFDA Rule 2.1.1.

VII. STAFF COMMITMENT

25. If this Settlement Agreement is accepted by the Hearing Panel, Staff will not initiate any proceeding under the By-laws of the MFDA against the Respondent in respect of the facts set out in Part IV and the contraventions described in Part V of this Settlement Agreement, subject to the provisions of Part IX below. Nothing in this Settlement Agreement precludes Staff from investigating or initiating proceedings in respect of any facts and contraventions that are not set out in Parts IV and V of this Settlement Agreement or in respect of conduct that occurred outside the specified date ranges of the facts and contraventions set out in Parts IV and V, whether known or unknown at the time of settlement. Furthermore, nothing in this Settlement Agreement shall relieve the Respondent from fulfilling any continuing regulatory obligations.

VIII. PROCEDURE FOR APPROVAL OF SETTLEMENT

26. Acceptance of this Settlement Agreement shall be sought at a hearing of the Pacific Regional Council of the MFDA on a date agreed to by counsel for Staff and the Respondent.

27. Staff and the Respondent may refer to any part, or all, of the Settlement Agreement at the settlement hearing. Staff and the Respondent also agree that if this Settlement Agreement is accepted by the Hearing Panel, it will constitute the entirety of the evidence to be submitted respecting the Respondent in this matter, and the Respondent agrees to waive its his rights to a full hearing, a review hearing before the Board of Directors of the MFDA or any securities commission with jurisdiction in the matter under its enabling legislation, or a judicial review or appeal of the matter before any court of competent jurisdiction.

28. Staff and the Respondent agree that if this Settlement Agreement is accepted by the Hearing Panel, then the Respondent shall be deemed to have been penalized by the Hearing Panel pursuant to s. 24.1.2 of By-law No. 1 for the purpose of giving notice to the public thereof in accordance with s. 24.5 of By-law No. 1.

29. Staff and the Respondent agree that if this Settlement Agreement is accepted by the Hearing Panel, neither Staff nor the Respondent will make any public statement inconsistent with this Settlement Agreement. Nothing in this section is intended to restrict the Respondent from making full answer and defence to any civil or other proceedings against him.

IX. FAILURE TO HONOUR SETTLEMENT AGREEMENT

30. If this Settlement Agreement is accepted by the Hearing Panel and, at any subsequent time, the Respondent fails to honour any of the Terms of Settlement set out herein, Staff reserves the right to bring proceedings under section 24.3 of the By-laws of the MFDA against the Respondent based on, but not limited to, the facts set out in Part IV of the Settlement Agreement, as well as the breach of the Settlement Agreement. If such additional enforcement action is taken, the Respondent agrees that the proceeding(s) may be heard and determined by a hearing

panel comprised of all or some of the same members of the hearing panel that accepted the Settlement Agreement, if available.

X. NON-ACCEPTANCE OF SETTLEMENT AGREEMENT

31. If, for any reason whatsoever, this Settlement Agreement is not accepted by the Hearing Panel or an Order in the form attached as Schedule “A” is not made by the Hearing Panel, each of Staff and the Respondent will be entitled to any available proceedings, remedies and challenges, including proceeding to a disciplinary hearing pursuant to sections 20 and 24 of By-law No. 1, unaffected by this Settlement Agreement or the settlement negotiations.

32. Whether or not this Settlement Agreement is accepted by the Hearing Panel, the Respondent agrees that he will not, in any proceeding, refer to or rely upon this Settlement Agreement or the negotiation or process of approval of this Settlement Agreement as the basis for any allegation against the MFDA of lack of jurisdiction, bias, appearance of bias, unfairness, or any other remedy or challenge that may otherwise be available.

XI. DISCLOSURE OF AGREEMENT

33. The terms of this Settlement Agreement will be treated as confidential by the parties hereto until accepted by the Hearing Panel, and forever if, for any reason whatsoever, this Settlement Agreement is not accepted by the Hearing Panel, except with the written consent of both the Respondent and Staff or as may be required by law.

34. Any obligations of confidentiality shall terminate upon acceptance of this Settlement Agreement by the Hearing Panel.

XII. EXECUTION OF SETTLEMENT AGREEMENT

35. This Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement.

36. A facsimile copy of any signature shall be effective as an original signature.

DATED this 2nd day of September, 2015.

“TPW”

Witness – Signature

“Stephen Cheung”

Stephen Cheung

TPW

Witness – Print name

“Shaun Devlin”

Staff of the MFDA
Per: Shaun Devlin
Senior Vice-President,
Member Regulation – Enforcement

Schedule “A”

Order

File No. 201502



Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels

**IN THE MATTER OF A SETTLEMENT HEARING
PURSUANT TO SECTION 24.4 OF BY-LAW NO. 1 OF
THE MUTUAL FUND DEALERS ASSOCIATION OF CANADA**

Re: Stephen Ping Cheung

ORDER

WHEREAS on [date], the Mutual Fund Dealers Association of Canada (the “MFDA”) issued a Notice of Settlement Hearing pursuant to section 24.4 of By-law No. 1 in respect of Stephen Cheung (the “Respondent”);

AND WHEREAS the Respondent entered into a settlement agreement with Staff of the MFDA, dated [date] (the “Settlement Agreement”), in which the Respondent agreed to a proposed settlement of matters for which the Respondent could be disciplined pursuant to ss. 20 and 24.1 of By-law No. 1;

AND WHEREAS the Hearing Panel is of the opinion that the Respondent:

- a) between July 27, 2005 and February 6, 2013, he obtained and used to process transactions, 74 blank or partially complete pre-signed account forms or

photocopies of blank or partially complete pre-signed account forms, in respect of 22 client accounts, contrary to MFDA Rule 2.1.1; and

- b) between March 2005 and March 2012, in his capacity as branch manager, he reviewed and approved 21 blank or partially completed pre-signed forms, or photocopies of blank or partially complete pre-signed account forms, submitted by other Approved Persons, contrary to MFDA Rules 2.5.5(f) and 2.1.1.

IT IS HEREBY ORDERED THAT the Settlement Agreement is accepted, as a consequence of which:

1. If at any time a non-party to this proceeding requests production of, or access to, any materials filed in, or the record of, this proceeding, including all exhibits and transcripts, then the MFDA Corporate Secretary shall not provide copies of, or access to, the requested documents to the non-party without first redacting from them any and all intimate financial or personal information, pursuant to Rules 1.8(2) and (5) of the MFDA *Rules of Procedure*;
2. The Respondent is prohibited from acting in a compliance or supervisory capacity with a Member for a period of three months from the date of the acceptance of this Settlement Agreement by the Hearing Panel, pursuant to section 24.1.1(c) of MFDA By-law No. 1;
3. the Respondent shall pay a fine in the amount of \$12,500, pursuant to section 24.1.1(b) of By-law No. 1;
4. the Respondent shall pay costs in the amount of \$2,500, pursuant to section 24.2 of By-law No. 1;
5. in the future, the Respondent shall comply with all MFDA By-laws, Rules and Policies and all applicable securities legislation and regulations made thereunder including MFDA Rule 2.1.1.

DATED this [day] day of [month], 20[].

Per: _____
[Name of Public Representative], Chair

Per: _____
[Name of Industry Representative]

Per: _____
[Name of Industry Representative]